

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0832-01  
Bill No.: HB 226  
Subject: Revenue Dept.; Taxation and Revenue - General and Income; Teachers  
Type: Original  
Date: February 19, 2001

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$6,608,036)	(\$6,842,797)	(\$7,013,908)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$6,608,036)</b>	<b>(\$6,842,797)</b>	<b>(\$7,013,908)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials of the **Department of Revenue (DOR)** state this legislation authorizes a tax credit, up to \$100, for a teacher's expenditures for instructional materials. The tax credit will not be eligible to anyone not filing a timely return. The tax credit is nonrefundable, and can be carried over to the next five succeeding tax years. The taxpayer must qualify as a teacher pursuant to section 163.011(11), RSMo. The tax credit is effective for tax years on or after January 1, 2001.

In a similar fiscal note, the Department of Elementary and Secondary Education indicated there were approximately 61,000 classroom teachers eligible to claim the tax credit. In order to process the tax credit, DOR will need one Tax Processing Technician I for every 4,000 new credits claimed per year and one Tax Season Temporary for every 130,000 credits claimed per year. Also, one Tax Processing Technician I will be needed for every 3,000 pieces of correspondence generated from this legislation. Therefore, in order to maintain the current processing time for all tax returns, DOR will need 15 FTE to process and verify the tax credit.

This legislation will require modifications to the income tax system and credit application system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of overtime at a cost of \$46,170. Modifications to the income tax return and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs.

**Oversight** assumes the Department of Revenue would require 692 hours of overtime at a cost of \$34,600 for modifications to the income tax system. Oversight also estimates that funding for the State Data Center charges would be \$9,007 for additional storage and fields to be captured.

Officials from the **Department of Elementary and Secondary Education (DES)** estimate the fiscal impact as follows:

1. Approximately 61,000 classroom teachers would be able to claim up to \$100 in expenses for instructional materials purchased and used in the course of their employment as a teacher.
2. 100% of teachers would incur expenses sufficient to claim the full amount of the credit.
3. The projected fiscal impact would be \$6,100,000 for FY 2001.
4. The number of teachers would increase by 2.5% each year. This percentage is used to project the impact for Fiscal Years 2002, 2003 and 2004.

FY 2002 \$6,252,500

FY 2003 \$6,408,813

FY 2004 \$6,569,033

**ASSUMPTION** (continued)

Officials of the **Office of Administration - Division of Budget and Planning (BAP)** assume the Department of Elementary and Secondary Education would have the information to estimate the fiscal impact of this tax credit.

Officials from the **Secretary of State's Office (SOS)** assume this bill creates a tax credit for teachers who purchase materials for their classrooms. The rules, regulations and forms issued by the Department of Revenue could require as many as approximately 6 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. The actual costs could be more or less than the SOS's estimated cost of \$369 for FY 2001. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

**Oversight** assumes SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

**This legislation will reduce total state revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Cost-Department of Revenue</u>			
Personal Services (15 FTE)	(\$158,940)	(\$325,827)	(\$333,973)
Fringe Benefits	(\$48,874)	(\$100,192)	(\$102,697)
Expenses & Equipment	(\$104,115)	(\$7,965)	(\$8,205)
Reprogramming Costs	<u>(\$43,607)</u>	<u>\$0</u>	<u>\$0</u>
Total Costs - DOR	(\$355,536)	(\$433,984)	(\$444,875)
<u>Loss-General Revenue Fund</u>			
Instructional Materials Credit	<u>(\$6,252,500)</u>	<u>(\$6,408,813)</u>	<u>(\$6,569,033)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$6,608,036)</u></b>	<b><u>(\$6,842,797)</u></b>	<b><u>(\$7,013,908)</u></b>

FISCAL IMPACT - Local Government

FY 2002  
(6 Mo.)  
\$0

FY 2003  
\$0

FY 2004  
\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill authorizes an individual income tax credit of up to \$100 for instructional materials purchased by a teacher used in the course of employment as a teacher.

The credit will apply to tax year 2001 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Department of Elementary and Secondary Education  
Office of Administration  
Division of Budget and Planning  
Office of the Secretary of State



Jeanne Jarrett, CPA  
Director

February 19, 2001